Corporate venture building as an innovation strategy

Corporate venture building happens when a company creates a separate entity or a new department to serve as a hub that allows them to innovate fast. ***Felipe Dulinski*** *writes that the old model of trying to innovate at home is no longer suitable for the pace at which change is occurring. He says that venture building has become one of the main innovation strategies for corporations today.*

In 2008, a concept was born in Silicon Valley that would forever change the course of new business creation and how companies innovate. Eric Ries created the lean start-up methodology. Ries was in his early 20s when he founded his first start-up, Catalyst Recruiting. At the time he was still a student at Yale University. Today, he says that Catalyst was one of the most important experiences of his career, as he realised that launching a start-up is not an adventure for beginners in a garage but requires differentiated business management practices.

The method is not that innovative. The lean production method had already been popularised in the 1980s by Eiji Toyoda – who turned Toyota into a profitable company at a time when North America dominated the automobile market. Ries adapted some pillars of the lean production concept to the creation and development of start-ups, as he was able to quickly solve problems with repetition cycles and feedback from consumers — from which the minimum viable concept (MVP) was born.

In the 90s, long before the launch of the lean start-up methodology, Steve Blank, another Silicon Valley entrepreneur, had already consolidated his learnings into a methodology coined customer development, a process that assumes that companies in the early stages still have many untested hypotheses about their business models and need to validate these hypotheses until they find the product/market fit.

The impact of new start-ups and accelerators on large companies

Just before Eric Ries created the lean start-up methodology, a new trend was gaining traction in the US and UK: business accelerators. Like many other trends, accelerators originated in the United States, where the famous Y Combinator launched its first acceleration program in 2005. In the UK, Seedcamp was the first to be launched and many others followed soon after. An accelerator is basically an intensive business program (lasting three to six months), which includes mentoring, training, networking, aiming for the business to grow quickly, ending in a demo day, where accelerated start-ups present their products in a pitch to potential investors. In 2012, I had the opportunity to set up Pipa, one of the main business accelerators in Latin America. We were based in Rio de Janeiro and our main differential was a focus on social impact and a partnership with Singularity University to accelerate projects for students graduating from their Global Start-up Programme.

We had the opportunity to accelerate more than 50 start-ups and mentor more than 200 entrepreneurs who went through our programmes. At the time, in order not to depend on the exit of accelerated start-ups, we decided to bet on an education operation to offer training and qualification to large companies on how to create new businesses, and then we began to discover the world of venture building.

The acceleration of corporate venture building

During the experience of setting up a business accelerator from scratch, accelerating more than 50 start-ups, and starting to relate to large companies, it became clear to us how the business model of an accelerator would serve well within a large company that wanted to innovate by creating new companies, rather than launching new products.

With the world moving faster and faster, companies need to be able to innovate at speed to stay ahead of the changes taking place in the market. The old model of trying to innovate at home is no longer suitable for the pace at which changes have occurred. Currently, corporate venture building (CVB) has become one of the main strategies for companies to remain at the apex of innovation, manage to create value from previously unexplored places, and generate returns for shareholders and a positive impact on society. CVB happens when a company creates a separate entity or a new department that will serve as a hub for innovation.

An example of CVB is Accenture Ventures, where I work as a venture builder. This new area has a separate culture, different value creation processes, and especially people with different mindsets and skills from the traditional ones in other departments. One of the most interesting things I see in implementing a CVB within a large company like Accenture is the alignment that exists with top leadership. It is part of the agenda of the company's leadership to think about innovation and explore what the CVB can generate of value.

One of the most interesting cases we have is that of the start-up ImpulsoTec. ImpulsoTec was born to train and employ 100,000 technology professionals per year in Brazil initially (our goal is to scale to Latin and North America and Europe). This start-up was born in partnership with Amazon Web Services (AWS) and Itaú, Brazil's largest bank. The vision of creating new technology-based businesses with Accenture as a partner and a well-structured venture building process allows partner companies and clients to have the confidence to launch themselves into the innovative environment in a safe way.

The CVB model allows large companies to build an innovation engine with all the speed, flexibility, and agility of a start-up, but with the resources and support that a large corporation can offer.

Significant changes are taking place in the market. Large companies are moving towards more innovative structures, using platform strategies to capture more market value. There have also been economic movements, such as The Great Resignation, which has led workers to resign from their jobs in great numbers. The executive entrepreneur acquires greater importance in this scenario.

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Notes:

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